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FROM U.S. MISSION IN ROME

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USAID FOR ADMINISTRATOR NATSIOS, AA/DCHA WINTER, D/DCHA/OFDA
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SUBJECT: WFP Response to US Rice Federation letter on WFP
cereals procurement practices

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Summary

11. (SBU) The USA Rice Federation in its letter dated July 30 questioned the "transparency" of World Food Program procurement tendering practices recommending that information such as WFP registered commercial vendors, tenders, awards, purchase prices, and country of origin should be made public information and made available on WFP's web site. In its 29 August 2003 response to the USA Rice Federation, routed through the US Mission, WFP lists a number of conditionalities and constraints that other donors place on their cash grants to WFP. In US Mission's view, both WFP Executive Director Jim Morris and Chief of Staff Mike Stayton (both American citizens) bring extensive experience from the U.S. private sector and are very much focused on improving the organization's business practices. End summary.

Text of WFP letter dated August 29, 2003 addressed to
Ambassador Tony P. Hall, U.S. Mission to the United Nations
Agencies for Food and Agriculture, in response to USA Rice
Federation letter dated July 30, 2003

12. (SBU) Herewith the text of WFP's letter: (quote)

"Excellency, reference is made to your letter dated 7 August 2003 in which you were kind enough to forward the letter from the President and CEO of the US Rice Federation regarding the purchases of rice undertaken by the World Food Programme in the year 2002.

(SBU) As WFP is a voluntarily funded organization, and strives to maintain the lowest overhead in the UN system at just 7 percent, WFP must use donor funds as efficiently as possible. Therefore, in an effort to maximize procurement efficiency, we tender by invitation only to registered suppliers who have been pre-screened. In line with standard tendering practices used by NATO and the OECD, we do not publish requests for tenders in newspapers or trade journals.

(SBU) WFP is making every effort to ensure that the registration of commercial vendors is as open and transparent as possible. We take the US Rice Federation comments on this topic to heart and will review our current registration process and look into ways in which we can make the registration process easier on the Internet for any supplier who wishes to register as a commercial vendor with WFP. In the meantime, we welcome any US food commodity supplier to approach WFP to be registered as a potential supplier. We would advise interested suppliers to log onto WFP's public website (www.wfp.org); under "Contact WFP" and "Procurement" where they would be directed to send an e-mail to Procurement@wfp.org, after which they would be sent a Vendor Registration Package. Once submitted, this information is reviewed by the Vendor Selection Committee within approximately two weeks. The supplier is then subsequently informed if he has been added to the Procurement Roster.

(SBU) While we try to ensure that the tendering process is open and transparent, price information submitted by suppliers is kept confidential between the buyer and seller,

as is the case in all commercial transactions. This process, which is highly monitored, is certified by both internal and external auditors and the Joint Inspection Unit of the United Nations. We will however, review if more communication with vendors would be helpful to them and invite your office to contact our Procurement Branch for HOLMES, EUR/WE, IO/EDA RBEHREND AND SKOTOK, E FOR CPENCE USDA/FAS FOR U/S PENN, RREIMENSCHNEIDER, MCHAMBLISS AND RTILSWORTH USAID FOR ADMINISTRATOR NATSIOS, AA/DCHA WINTER, D/DCHA/OFDA BMCCONNELL, D/DCHA/FFP LANDIS NSC FOR JDWORKEN

more information.

(SBU) As you are aware, the US is our top donor providing more than 50 percent of WFP's total contributions, and for this we are most grateful. In fact, USAID's Food for Peace Office and USDA are the primary food aid offices within the US Government and account for roughly 95 percent of the US contributions to WFP, generously providing in-kind US commodities to meet humanitarian food needs. What this means is that for 95 percent of the US contribution, the US Government directly purchases commodities from US suppliers to be used for WFP programs. In 2002 for instance, together with in-kind contributions and international purchases, 81,000 metric tons of rice for US farmers was shipped to WFP operations all over the world.

(SBU) Many donors exercise varying conditions governing contributions to WFP. Canada, for instance, which the USA Rice Federation highlights in the letter, provides cash with the condition that the funds be used to purchase commodities in Canada only. While this is essentially an in-kind contribution, when recorded, it appears as a cash contribution. This also explains why Canada appears as the largest recipient of commodity awards. Moreover, our donors also indicate conditions on the use of cash in other ways. For instance, many donors like the European Union, specify that their cash donations are to be used either for international purchases from European Producers, or for the local or regional purchase of commodities such as rice, if the region for which it is ultimately intended is a rice producing area. It is widely believed that local purchases foster the agricultural sector while maximizing the cash contributions received, resulting in both timely and cost effective purchases as it substantially reduces the transport time and cost as compared to importing from more distant areas. To put this into perspective, in 2002, WFP's total contributions amounted to U.S. dollars (USD) 1.8 billion. Of this, only USD 307 million were made available for commercial food purchases, and for the reasons mentioned above, 66.5 percent (in value terms) of WFP's total purchases were for commodities originating in developing countries.

(SBU) In terms of WFP's procurement of rice in 2002, the amount of rice procured represented 9 percent of the overall 1.5 million metric tons (mts) of various food commodities purchased by the Program. Local purchases of rice amounting to 46,649 mts were undertaken in 16 different countries, the three largest purchases of which occurred in Nepal, Myanmar and Cambodia. A second tranche of 46,819 mts was the result of a directed contribution whereby the donor specified the procurement modalities. The remainder of 50,884 mts was procured as a result of international or regional tenders, which were concluded as follows:

(SBU) Origin:	Destinations:
-India (24,146 mts rice)	- Bangladesh, Sri Lanka, Indonesia, Yemen, Palestinian Territories;
-Pakistan (12,483 mts rice)	- Iran, Iraq, Palestinian Territories, Congo, Djibouti;
-Thailand (7,098 mts rice)	- Laos, Indonesia, Palestinian Territories;
-Vietnam (4,137 mts rice)	- Indonesia, Palestinian Territories;
-USA (3,020 mts)	- Honduras/Haiti

(SBU) In the spirit of transparency, WFP distributes information about its procurement activities regularly at its Executive Board sessions and makes other general information available upon request to its member countries. On various occasions, the Procurement Branch has participated in nationally sponsored trade shows or aid seminars where it has presented topics on "How to do Business with WFP".

(U) I hope that the responses above adequately address the USA Rice Federation's concerns outlined in their letter. Should the USA Rice Federation have any additional questions, comments or recommendations, please have them contact Judith Lewis, Director of our WFP Washington Office

at (202) 653-0010, or e-mail at Judith.Lewis@wfp.org and we will do what we can to ensure that the US Rice Federation has the information they need to do business with us. Sincerely, Michael Stayton, Chief of Staff, Director, Office of the Executive Director and Administration." End text of WFP letter.

Comment

13. (SBU) The U.S. Mission remains very much engaged with WFP in assisting this vital UN organization to improve its efficiency and overall effectiveness. Both WFP Executive Director Jim Morris and Chief of Staff Mike Stayton bring extensive experience from the U.S. private sector and are, in our view, very much focused on improving the organization's business practices. Hall

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